

ALMONT COMMUNITY SCHOOLS

ALMONT, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

	<u>PAGE</u>
Report of Independent Accountants	I
Management's Discussion and Analysis	II - VIII
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Fiduciary Fund	
Statement of Fiduciary Net Assets	5
Notes to the Financial Statements	6 – 18
Required Supplementary Information	
Budgetary Comparison Schedules:	
General Fund	19
Other Supplemental Information	
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	20
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	21
Combining Balance Sheet – Special Revenue Fund	22
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Special Revenue Fund	23
Combining Balance Sheet – Debt Retirement Fund	24
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Debt Retirement Fund	25
Individual Schedules of Revenues, Expenditures and Other Financing Uses:	
Schedule 1 - General Fund - Schedule of Revenues	26
Schedule 2 - General Fund - Schedule of Expenditures	27 – 30
Other Supplemental Schedules:	
Schedule 3 - Trust and Agency Fund – Schedule of Receipts and Disbursements – Student Activities	31 – 32
Schedule 4 - Schedule of Bond Principal and Interest Requirements	33 – 35
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

August 5, 2004

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Almont Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Almont Community Schools as of and for the year ended June 30, 2004, which collectively comprise the Almont Community Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Almont Community Schools management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Almont Community Schools as of June 30, 2004, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2004, on our consideration of the Almont Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II through VIII and 19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Almont Community Schools' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

ALMONT COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Almont Community Schools, a K-12 school District located in Lapeer County, Michigan, is in its second year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Almont Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2004.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

ALMONT COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

District Wide Financial Statements: (Continued)

These two statements report the Almont Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Current Assets	\$19,125,749	\$26,151,522
Non-Current Assets	<u>27,378,463</u>	<u>19,288,328</u>
<u>TOTAL ASSETS</u>	<u>\$46,504,212</u>	<u>\$45,439,850</u>
<u>LIABILITIES</u>		
Current Liabilities	\$5,435,620	\$4,011,094
Long-Term Liabilities	<u>39,991,240</u>	<u>40,044,327</u>
Total Liabilities	\$45,426,860	\$44,055,421
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt (Deficit)	(1,054,504)	(816,660)
Restricted - Debt Service	210,574	451,663
Unrestricted	<u>1,921,282</u>	<u>1,749,426</u>
Total Net Assets	<u>\$1,077,352</u>	<u>\$1,384,429</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$46,504,212</u>	<u>\$45,439,850</u>

ALMONT COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2004 and 2003, the District wide results of operations were:

	<u>2004</u>	<u>2003</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$803,888	\$754,927
Property Taxes Levied for Debt Service	2,267,540	2,103,276
State of Michigan Unrestricted Foundation Aid	10,991,561	10,759,351
Other General Revenues	<u>736,746</u>	<u>460,914</u>
Total General Revenues	\$14,799,735	\$14,078,468
<u>Operating Grants:</u>		
Federal	352,714	368,532
State of Michigan	<u>189,249</u>	<u>177,475</u>
Total Operating Grants	\$541,963	\$546,007
<u>Charges for Services:</u>		
Food Service	278,796	255,988
Athletics	36,680	25,704
Other Charges for Services	<u>192,409</u>	<u>181,768</u>
Total Charges for Services	\$507,885	\$463,460
Total Revenues	<u>\$15,849,583</u>	<u>\$15,087,935</u>
<u>EXPENSES</u>		
Instruction & Instructional Support	7,651,413	7,205,929
Support Services	4,310,410	4,525,522
Community Services	144,009	120,406
Food Service	422,462	364,544
Athletics	296,224	271,492
Bond Issuance Costs	147,456	0
Other Capital Project Expenses	345,952	0
Interest on Long-Term Debt	2,671,281	1,787,059
Depreciation	<u>167,453</u>	<u>167,452</u>
Total Expenses	\$16,156,660	\$14,442,404
<u>INCREASE IN NET ASSETS</u>	(\$307,077)	\$645,531
<u>BEGINNING NET ASSETS</u>	<u>1,384,429</u>	<u>738,898</u>
<u>ENDING NET ASSETS</u>	<u><u>\$1,077,352</u></u>	<u><u>\$1,384,429</u></u>

ALMONT COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2004, the District's Total Net Assets decreased by \$307,077 to a total of \$1,077,352. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) decreased by \$237,844 during the year due to the refinancing of some of the District's long-term debt, additional borrowing from the Michigan School Bond Loan Fund and depreciation and principal payments on related debt exceeding purchases of new capital assets. The districts Unrestricted Net Assets increased by \$171,856 during the year and the restricted portion of the net assets decreased by \$241,089. The restricted Net Assets consist of the Investment in Capital Assets-net of related Debt, the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall expenses exceeded its revenues for the year by \$307,077. The total revenues increased by \$761,648 or 5% over last years amounts. The major changes were an increase in state aid due to increased student enrollment and an increase in property tax revenue from property taxable value increases. Expenditures increased by \$1,714,256 or 12% over last year. Major changes were increases in wages and fringe benefits on collectively bargained contracts and interest on long-term debt obligations.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows , and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund increased by \$310,241 during the year with the increase coming primarily from an increase in cash. Revenues and other financing sources for the year increased by \$236,660 primarily due to an increase in state aid due to increased student enrollment. Expenditures and other financing uses increased by \$339,294, due to increases in wages and fringe benefits on collectively bargained contracts. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 80 percent of current year's fall count and 20 percent of prior year's winter count
- c. The District's non-homestead tax levy

2. Per Student Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Almont Community Schools foundation allowance was \$6,700 per student for the 2003-2004 school year, the same as the prior year. The foundation allowance was decreased by \$74 per student from \$6,700 to \$6,626 as the result of an executive order by the governor.

ALMONT COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

3. Student Enrollment:

The District's student enrollment for the fall count of 2003-2004 was 1,786.52 students. An increase of 50.95 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 16.5984 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2003-2004 fiscal year was \$803,888. An increase of \$48,961 from the prior year.

Capital Projects Fund

The districts Capital projects fund balance decreased by \$8,182,016 as the District's construction project continues. Investment earnings are the primary source of revenue in the fund and they decreased by \$23,351 from the previous year. Expenditures, which are restricted for construction projects increased by \$7,094,585 from the prior year.

Debt Retirement Fund

The districts debt retirement fund balance decreased by \$241,089. The fund balance is restricted to use for payments on bonded debt. The funds had expenditures of \$3,117,358 in paying the required interest and principal payments of the school's bonded debt. The majority of the fund's revenue is derived from tax collections. An analysis of them is as follows:

1. Debt Fund Property and Industrial Facility In Lieu of Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead. In addition, the District collects IFT (Industrial Facilities Taxes) In Lieu of Taxes that are essentially taxed at 50 percent of the regular tax rate.

For 2003-2004, the District's debt millage levy was 8.45 mills that generated revenue of \$2,267,540. An increase of \$164,264 from the prior year.

Special Revenue Funds

The districts special revenue funds provide food service and athletic opportunities to students. During the year the fund balances decreased by \$6,350. Food service fund revenue increased by \$30,762, primarily due to increased lunch sales. Athletic fund revenue increased by \$24,732, primarily from increased subsidies from the general fund.

ALMONT COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Actual & Original Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$12,413,654	\$12,326,304	\$12,456,902	0.35	1.06
Expenditures	12,327,556	12,325,934	12,146,661	1.47	1.45
<u>TOTAL</u>	<u>\$86,098</u>	<u>\$370</u>	<u>\$310,241</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Almont Community Schools amends its budget during the school year. The June, 2004 budget amendment was the final budget for the fiscal year. There were no significant variations between the original and final budget. Actual results versus budgeted estimates for revenue varied slightly due mainly from an increase in student enrollment. Actual results versus budgeted estimates for expenditures varied slightly due to conservative estimates of wage and fringe benefit costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	<u>Principal Balance 7-1-03</u>	<u>Increases 6-30-04</u>	<u>Principal Payments 6-30-04</u>	<u>Principal Balance 6-30-04</u>
School Bond Loan Fund	\$1,763,596	\$715,963	\$0	\$2,479,559
Building & Site Bonds	39,565,000	13,060,000	13,630,000	38,995,000
Durant Bonds	62,312	0	0	62,312
Compensated Absences	103,419	950	0	104,369
<u>Total Long-Term Debt</u>	<u>\$41,494,327</u>	<u>\$13,776,913</u>	<u>\$13,630,000</u>	<u>\$41,641,240</u>

On February 25, 2004, the District advanced refunded (i.e. refinanced) a portion of their outstanding bonded debt obligations to take advantage of the low interest rates available in the bond market. The net present value of the savings to the taxpayers of the District from this refunding is \$692,663.

ALMONT COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION: (Continued)

B. Capital Assets

The district's net investment in capital assets decreased by \$381,064 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
Capital Assets	\$23,183,368	\$151,503	\$44,504	\$23,290,367
Less: Accumulated Depreciation	(5,297,609)	(532,567)	(44,504)	(5,785,672)
<u>Net Investment Capital Outlay</u>	<u>\$17,885,759</u>	<u>(\$381,064)</u>	<u>\$0</u>	<u>\$17,504,695</u>

Major additions to capital assets were the purchase of two new school buses.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Almont Community Schools.

ALMONT COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2004 AND 2003

	Governmental Activities	
	2004	2003
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$12,295,842	5,103,895
Investments	4,776,467	19,099,499
Accounts Receivable	738	4,604
Due from Other Governmental Units	2,041,700	1,938,803
Inventory	11,002	4,721
Total Current Assets	\$19,125,749	\$26,151,522
<u>NON-CURRENT ASSETS</u>		
Construction in Progress	9,873,768	1,402,569
Capital Assets	23,290,367	23,183,368
Less: Accumulated Depreciation	(5,785,672)	(5,297,609)
Total Noncurrent Assets	\$27,378,463	\$19,288,328
<u>TOTAL ASSETS</u>	\$46,504,212	\$45,439,850
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	1,142,287	192,657
State Aid Note Payable	1,016,044	947,205
Salaries Payable	752,409	729,857
Accrued Expenses	866,277	690,355
Deferred Revenue	8,603	1,020
Current Portion of Long-Term Obligations	1,650,000	1,450,000
Total Current Liabilities	\$5,435,620	\$4,011,094
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	39,991,240	40,044,327
<u>TOTAL LIABILITIES</u>	\$45,426,860	\$44,055,421
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	(1,054,504)	(816,660)
Restricted for:		
Debt Retirement	210,574	451,663
Unrestricted	1,921,282	1,749,426
<u>TOTAL NET ASSETS</u>	\$1,077,352	\$1,384,429

See accompanying notes to the basic financial statements.

ALMONT COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
JUNE 30, 2004

FUNCTIONS/PROGRAMS	2004			2003
	Expenses	Charges For Services	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue & Change in Net Assets
Governmental Activities:				
Instruction	\$7,651,413	\$0	\$383,467	(\$7,267,946)
Support Services	4,310,410	192,409	25,898	(4,092,103)
Community Services	144,009	0	0	(144,009)
Food Service	422,462	278,796	132,598	(11,068)
Athletics	296,224	36,680	0	(259,544)
Bond Issuance Costs	147,456	0	0	(147,456)
Other Capital Project Expenses	345,952	0	0	(345,952)
Interest - Long-Term Obligations	2,671,281	0	0	(2,671,281)
Depreciation - Unallocated	167,453	0	0	(167,453)
TOTALS	\$16,156,660	\$507,885	\$541,963	(\$15,106,812)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				3,071,428
State Aid				10,991,561
Grants and Contributions Not Restricted to Specific Programs				6,147
Investment Earnings				655,342
Miscellaneous				75,257
Total General Revenues and Transfers				\$14,799,735
Change in Net Assets				(\$307,077)
Net Assets - Beginning				1,384,429
<u>Net Assets - Ending</u>				<u>\$1,077,352</u>

See accompanying notes to the basic financial statements.

ALMONT COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	2002	Other	Total
	Fund	Capital	Governmental	Governmental
		Projects	Funds	Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$2,584,478	\$9,379,936	\$331,428	\$12,295,842
Investments	0	4,776,467	0	4,776,467
Accounts Receivable	738	0	0	738
Due from Other Governmental Units	2,041,700	0	0	2,041,700
Due from Other Funds	14,331	0	0	14,331
Inventory	0	0	11,002	11,002
<u>TOTAL ASSETS</u>	<u>\$4,641,247</u>	<u>\$14,156,403</u>	<u>\$342,430</u>	<u>\$19,140,080</u>
<u>LIABILITIES</u>				
Accounts Payable	\$82,954	\$1,052,499	\$6,834	\$1,142,287
State Aid Note Payable	1,016,044	0	0	1,016,044
Due to Other Funds	0	0	14,331	14,331
Salaries Payable	752,409	0	0	752,409
Accrued Expenses	379,751	0	0	379,751
Deferred Revenue	8,603	0	0	8,603
Total Liabilities	\$2,239,761	\$1,052,499	\$21,165	\$3,313,425
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	0	0	11,002	11,002
Debt Retirement	0	0	210,574	210,574
Capital Projects	0	13,103,904	0	13,103,904
Unreserved:				
Undesignated, Reported In:				
General Fund	2,401,486	0	0	2,401,486
School Service Funds	0	0	99,689	99,689
Total Fund Balances	\$2,401,486	\$13,103,904	\$321,265	\$15,826,655
<u>TOTAL LIABILITIES AND</u> <u>FUND BALANCES</u>	<u>\$4,641,247</u>	<u>\$14,156,403</u>	<u>\$342,430</u>	<u>\$19,140,080</u>

See accompanying notes to the basic financial statements.

ALMONT COMMUNITY SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total Governmental Fund Balances:		\$15,826,655
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$23,290,367 and the accumulated depreciation is \$5,785,672		17,504,695
Construction in Progress		9,873,768
Accrued Interest on Long-Term Debt		(486,526)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$39,057,312	
Michigan School Bond Loan Fund	2,479,559	
Compensated Absences Payable	104,369	
Total Long-Term Liabilities		<u>(41,641,240)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u>\$1,077,352</u>

ALMONT COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	2002 Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Local Sources	\$1,050,140	\$635,135	\$2,595,669	\$4,280,944
State Sources	11,143,166	0	21,499	11,164,665
Federal Sources	241,615	0	111,099	352,714
Total Revenues	\$12,434,921	\$635,135	\$2,728,267	\$15,798,323
<u>EXPENDITURES</u>				
Current:				
Instruction	7,399,548	0	0	7,399,548
Student Services	642,474	0	0	642,474
Instructional Support	388,195	0	0	388,195
General Administration	291,534	0	0	291,534
School Administration	694,547	0	0	694,547
Business Administration	193,876	0	0	193,876
Operation & Maintenance of Plant	1,085,021	0	0	1,085,021
Transportation	851,006	0	0	851,006
Support Services - Other	22,199	0	0	22,199
Community Services	144,009	0	0	144,009
Food Service	0	0	716,009	716,009
Debt Service	0	0	3,117,358	3,117,358
Capital Outlay				
Construction	0	6,888,208	0	6,888,208
Furniture and Equipment	0	406,409	0	406,409
Investment Fees	0	25,955	0	25,955
Purchased Services	0	432,655	0	432,655
Site Development	0	743,927	0	743,927
Total Expenditures	\$11,712,409	\$8,497,154	\$3,833,367	\$24,042,930
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$722,512	(\$7,862,019)	(\$1,105,100)	(\$8,244,607)
<u>OTHER FINANCING SOURCES (USES)</u>				
Loss on Sale of Securities	0	(319,997)	0	(319,997)
Loan Proceeds	0	0	604,948	604,948
Other Transfers	(159,558)	0	0	(159,558)
Transfers to Other Funds (Net)	(252,713)	0	252,713	0
Total Other Financing Sources (Uses)	(\$412,271)	(\$319,997)	\$857,661	\$125,393
Net Change in Fund Balance	\$310,241	(\$8,182,016)	(\$247,439)	(\$8,119,214)
<u>FUND BALANCE - BEGINNING</u>	2,091,245	21,285,920	568,704	23,945,869
<u>FUND BALANCE - ENDING</u>	\$2,401,486	\$13,103,904	\$321,265	\$15,826,655

See accompanying notes to the basic financial statements.

ALMONT COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Total net change in fund balances - governmental funds	(\$8,119,214)
--	---------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(381,064)
--	-----------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	458,985
---	---------

Construction in Progress	8,471,199
--------------------------	-----------

Proceeds from Sale of Bonds	(13,775,963)
-----------------------------	--------------

Payment to Escrow Agent	13,171,015
-------------------------	------------

Change in accrued interest on long-term liabilities	(131,085)
---	-----------

Increase in accrued compensated absences	<u>(950)</u>
--	--------------

<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>(\$307,077)</u>
--	--------------------

ALMONT COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$105,807</u>
<u>TOTAL ASSETS</u>	<u><u>\$105,807</u></u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$105,807</u>
<u>TOTAL LIABILITIES</u>	<u><u>\$105,807</u></u>

See accompanying notes to the basic financial statements.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Almont Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS (Continued)

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

O) RECLASSIFICATIONS

Certain reclassifications have been made to the prior year financial statements to conform to current year presentation.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

Budgets were not adopted for the capital projects fund for the year ended June 30, 2004.

4) DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Undeposited Cash – At June 30, 2004, the School District had \$395 of petty cash on hand which is included as part of "cash and cash equivalents."

Deposits - The Board of Education authorized the following financial institutions for the deposit of the District's funds for the year ended June 30, 2004: Tri-County Bank, National City Bank, Michigan National Bank, Citizens Bank, Fifth Third Bank, First Federal Savings & Loan, Lapeer County Bank & Trust, Huntington Banks, Bank One and National Banking Association. The Board also authorized the business office to invest funds with financial institutions that gave the maximum interest rate of return upon receipt of quotes.

The District's deposits are in accordance with statutory authority.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

4) DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2004, the carrying amount of the School District's deposits was \$12,396,044 and the bank balance was \$13,388,823. \$436,167 of the bank balance was covered by federal depository insurance and \$12,952,656 was uninsured and uncollateralized.

Investments - The School District's investments are required to be categorized to give an indication of the level of risk assumed by the District at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the School District's name.

Investments consists of: Fifth Third Bank- Paper, Notes, and Bonds consists of the following:

	<u>COST</u>	<u>MARKET VALUE</u>
US Government Bonds	\$ 4,776,467	\$ 4,642,442

The District's investments are highly liquid market investments with maturities of one year or less and are recorded at cost.

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2004, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	<u>\$ 2,041,700</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2004, the School District had no estimated claims in conjunction with the program.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

8) SHORT-TERM DEBT

The District borrowed \$1,000,000 at 1.9% per annum on August 27, 2003, from Tri-County Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The balance as of June 30, 2004 was \$1,000,000 plus accrued interest of \$16,044. The note matures August 26, 2004.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$21,132,087	\$0	\$0	\$21,132,087
Land Improvements	657,659	0	0	657,659
Equipment and Furniture	288,364	29,920	0	318,284
Vehicles	1,105,258	121,583	44,504	1,182,337
Totals at Historical Cost	\$23,183,368	\$151,503	\$44,504	\$23,290,367
Less: Accumulated Depreciation				
Buildings and Improvements	(4,474,604)	(421,697)	0	(4,896,301)
Land Improvements	(70,271)	(3,904)	0	(74,175)
Equipment and Furniture	(197,563)	(11,995)	0	(209,558)
Vehicles	(555,171)	(94,971)	(44,504)	(605,638)
Total Accumulated Depreciation	(\$5,297,609)	(\$532,567)	(\$44,504)	(\$5,785,672)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$17,885,759</u>	<u>(\$381,064)</u>	<u>\$0</u>	<u>\$17,504,695</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 251,865
Support Services	105,347
Food Service	1,116
Athletics	6,786
Unallocated	167,453
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 532,567</u>

Investment in capital assets – net of related debt consists of the following:

Construction in Progress	\$ 9,873,768
Capital Assets	23,290,367
Less: Accumulated Depreciation	(5,785,672)
Less: Long-Term Liabilities	(41,641,240)
Compensated Absences	104,369
2002 Capital Projects Fund Equity	13,103,904
<u>TOTAL</u>	<u>\$ (1,054,504)</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2004 were \$77,817 and the School District received a dividend refund of \$9,171.

11) LONG-TERM LIABILITIES

A) 1991 REFUNDING BONDS

1991 Refunding Bonds, original issue \$1,400,000 were issued to refinance principal and interest owed to the State School Bond Loan Fund. The bonds, dated August 29, 1991, are due in remaining annual installments of \$105,000 to \$160,000 through May 15, 2005, with interest ranging between 6.00% and 6.75%. The balance as of June 30, 2004 was \$160,000.

B) 2002 REFUNDING BONDS

On March 5, 2002, the Almont Community Schools issued \$4,100,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from 3.00% to 4.20%. The District issued the bonds to advance refund \$3,985,000 of the outstanding 1992 Refunding Bonds with a interest rate ranging from 6.100% to 6.625%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for all future debt service on the 1992 Refunding Bonds. As a result, the 1992 Refunding Bonds are considered defeased and the District has removed the liability from its accounts. The outstanding principal of the bonds is \$3,300,000 at June 30, 2004.

C) 1996 BUILDING AND SITE BONDS

1996 Building and Site Bonds, original issue \$12,195,000 were issued to finance the construction of a new elementary school. The bonds, dated November 1, 1996, are due in annual installments of \$245,000 to \$1,295,000 through May 1, 2026, with interest rates ranging from 5.375% to 7.875%. The balance as of June 30, 2004 was \$650,000.

D) 2002 BUILDING AND SITE BONDS

2002 Building and Site Bonds, original issue \$22,350,000 were issued to finance the cost to prepare and develop a site, including playfield and erect, construct, complete, equip and furnish thereon a new middle school building; prepare and develop a site and construct, erect, complete, equip and furnish thereon a new bus maintenance facility; purchase, install, equip, and reequip school buildings for technology; construct, remodel, equip and reequip, furnish and refurnish, and improve the buildings and sites, including playgrounds, playfields and/or physical education fields and athletic sites and facilities at the existing Orchard Primary School, Almont Elementary School and Jr/Sr High School. The bonds, dated October 30, 2002, are due in annual installments of \$525,000 to \$975,000 through May 1, 2032, with interest rates ranging from 2.00% to 4.65%. The balance as of June 30, 2004 was \$21,825,000.

E) 1998 DURANT BONDS

Almont Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$97,533 at the interest rate of 4.761353%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance as of June 30, 2004 was \$62,312. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

11) GENERAL LONG-TERM DEBT (Continued)

F) 2004 REFUNDING BONDS

On February 25, 2004, the Almont Community Schools issued \$13,060,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 2.00% to 4.15%. The District issued the bonds to advance refund \$9,150,000 of the outstanding 1996 Bond Issue with a interest rate ranging from 5.375% to 7.875% and \$3,030,000 of the outstanding 1994 Refunding Bonds with a interest rate ranging from 4.8% to 5.25%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for all future debt service on the 1992 Refunding Bonds. As a result, the 1994 Refunding Bonds and a portion of the 1996 Bond Issue are considered defeased and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$13,060,000 at June 30, 2004.

The advanced refunding reduced total debt service payments over the next ten years by \$1,188,942. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$692,663. The balance of the 2004 Refunding Bonds as of June 30, 2004 was \$13,060,000.

G) MICHIGAN SCHOOL BOND LOAN FUND

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements of the 1987 Debt Issue as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements for the 1987 Debt Issue. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of \$50,453 has been assessed for the year ended June 30, 2004, and is included in the amount owing the State at that date. The balance as of June 30, 2004 was \$2,479,559.

H) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2004 are as follows:

	MI SCHOOL BOND LOAN FUND	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2005	\$0	\$1,650,000	\$1,676,424	\$3,326,424
June 30, 2006	0	1,499,721	1,527,677	3,027,398
June 30, 2007	0	1,539,945	1,475,244	3,015,189
June 30, 2008	0	1,565,182	1,433,697	2,998,879
June 30, 2009	0	1,600,428	1,385,356	2,985,784
June 30, 2010-2014	0	8,567,036	6,052,896	14,619,932
June 30, 2015-2019	0	7,350,000	4,462,918	11,812,918
June 30, 2020-2024	0	6,815,000	2,974,150	9,789,150
June 30, 2025-2029	0	5,545,000	1,418,248	6,963,248
June 30, 2030-2034	2,479,559	2,925,000	464,562	5,869,121
<u>TOTAL</u>	<u>\$2,479,559</u>	<u>\$39,057,312</u>	<u>\$22,871,172</u>	<u>\$64,408,043</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$1,499,035.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

11) GENERAL LONG-TERM DEBT (Continued)

I) Changes in General Long-Term Debt

The following is a summary of long-term debt transactions of the School District for the year ended June 30, 2004:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004	AMOUNT DUE IN ONE YEAR
<u>Governmental Activities:</u>					
School Bond Loan Fund	\$1,763,596	\$715,963	\$0	\$2,479,559	\$0
Building & Site Bonds	39,565,000	13,060,000	13,630,000	38,995,000	1,650,000
Durant Bonds	62,312	0	0	62,312	0
Compensated Absences	103,419	950	0	104,369	0
<u>Total Governmental Activities</u>	<u>\$41,494,327</u>	<u>\$13,776,913</u>	<u>\$13,630,000</u>	<u>\$41,641,240</u>	<u>\$1,650,000</u>

12) LEASE AGREEMENTS

The School District leases various office equipment and facilities under operating leases expiring in various years through 2007. Minimum future rental payments under noncancellable operating leases having remaining terms in excess of one year as of June 30, 2004, for each of the following years and in the aggregate are:

June 30, 2005	\$ 52,074
June 30, 2006	38,892
June 30, 2007	<u>4,331</u>
<u>TOTALS</u>	<u>\$ 95,297</u>

Fiscal year 2004 operating lease payments were \$52,074.

14) INTERFUND ACTIVITY

Interfund balances at June 30, 2004 consisted of the following:

	DUE FROM
DUE TO	GENERAL FUND
Special Revenue Fund	<u>14,331</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

15) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, consisted of the following:

TRANSFERS TO	TRANSFERS FROM	
		GENERAL
		FUND
	Athletics Fund	\$252,713

These transfers were made to subsidize the cost of services for athletics.

16) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2003 through September 30, 2003 and 12.99 percent for the period October 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2004, 2003 and 2002 were \$949,703, \$909,973 and \$812,022, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

17) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

17) RISK MANAGEMENT (Continued)

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

18) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantor agencies.

19) SUBSEQUENT EVENTS

The District has approved borrowing \$1,500,000 from Tri-County Bank to meet cash flow needs for the 2004-2005 fiscal year. The Bonds will be issued August 26, 2004 at a interest rate of 3%.

REQUIRED
SUPPLEMENTARY
INFORMATION

ALMONT COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$190,350	\$1,007,946	\$1,050,140	\$42,194
State Sources	11,937,070	11,052,687	11,143,166	90,479
Federal Sources	263,234	246,671	241,615	(5,056)
Total Revenues	<u>\$12,390,654</u>	<u>\$12,307,304</u>	<u>\$12,434,921</u>	<u>\$127,617</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	7,515,487	7,444,163	7,399,548	44,615
Student Services & Instructional Support	1,028,122	1,064,061	1,030,669	33,392
General Administration	321,832	297,663	291,534	6,129
School Administration	701,532	703,493	694,547	8,946
Business Services	2,132,160	2,187,302	2,129,903	57,399
Support Services - Other	53,250	33,250	22,199	11,051
Community Services	124,600	147,716	144,009	3,707
Total Expenditures	<u>\$11,876,983</u>	<u>\$11,877,648</u>	<u>\$11,712,409</u>	<u>\$165,239</u>
Excess of Revenues Over Expenditures	<u>\$513,671</u>	<u>\$429,656</u>	<u>\$722,512</u>	<u>\$292,856</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(427,573)</u>	<u>(429,286)</u>	<u>(412,271)</u>	<u>17,015</u>
Net Change in Fund Balance	<u>\$86,098</u>	<u>\$370</u>	<u>\$310,241</u>	<u>\$309,871</u>
<u>FUND BALANCE - BEGINNING</u>			<u>2,091,245</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$2,401,486</u>	

OTHER SUPPLEMENTAL
INFORMATION

ALMONT COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2004

	School Service Fund	Debt Service Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$120,854	\$210,574	\$331,428
Inventory	11,002	0	11,002
<u>TOTAL ASSETS</u>	<u>\$131,856</u>	<u>\$210,574</u>	<u>\$342,430</u>
<u>LIABILITIES</u>			
Accounts Payable	\$6,834	\$0	\$6,834
Due to Other Funds	14,331	0	14,331
Total Liabilities	\$21,165	\$0	\$21,165
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	11,002	0	11,002
Debt Retirement	0	210,574	210,574
Unreserved:			
Undesignated, Reported In:			
School Service Fund	99,689	0	99,689
Total Fund Balances	\$110,691	\$210,574	\$321,265
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$131,856</u>	<u>\$210,574</u>	<u>\$342,430</u>

ALMONT COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	School Service Fund	Debt Service Fund	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$324,348	\$2,271,321	\$2,595,669
State Sources	21,499	0	21,499
Federal Sources	111,099	0	111,099
Total Revenues	<u>\$456,946</u>	<u>\$2,271,321</u>	<u>\$2,728,267</u>
<u>EXPENDITURES</u>			
Food Service	716,009	0	716,009
Debt Service	0	3,117,358	3,117,358
Total Expenditures	<u>\$716,009</u>	<u>\$3,117,358</u>	<u>\$3,833,367</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$259,063)	(\$846,037)	(\$1,105,100)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Other Funds	252,713	0	252,713
Other Transfers - Net	0	604,948	604,948
Total Other Financing Sources (Uses)	<u>\$252,713</u>	<u>\$604,948</u>	<u>\$857,661</u>
Net Change in Fund Balance	(\$6,350)	(\$241,089)	(\$247,439)
<u>NET ASSETS - BEGINNING</u>	<u>117,041</u>	<u>451,663</u>	<u>568,704</u>
<u>NET ASSETS - ENDING</u>	<u>\$110,691</u>	<u>\$210,574</u>	<u>\$321,265</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
SPECIAL REVENUE FUND
COMBINING BALANCE SHEETS
AS OF JUNE 30, 2004

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$119,880	\$974	\$120,854
Inventory	<u>11,002</u>	<u>0</u>	<u>11,002</u>
<u>TOTAL ASSETS</u>	<u>\$130,882</u>	<u>\$974</u>	<u>\$131,856</u>
<u>LIABILITIES</u>			
Accounts Payable	\$6,834	\$0	\$6,834
Due to Other Funds	<u>13,357</u>	<u>974</u>	<u>14,331</u>
Total Liabilities	\$20,191	\$974	\$21,165
<u>FUND EQUITY</u>			
Fund Balance - Reserved - Inventory	11,002	0	11,002
Fund Balance - Unreserved and Undesignated	<u>99,689</u>	<u>0</u>	<u>99,689</u>
Total Fund Equity	<u>\$110,691</u>	<u>\$0</u>	<u>\$110,691</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$130,882</u>	<u>\$974</u>	<u>\$131,856</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Gate Receipts	\$0	\$36,680	\$36,680
Earnings on Investments and Deposits	1,477	45	1,522
Lunch Sales	278,796	0	278,796
Miscellaneous	7,350	0	7,350
Total Local Sources	<u>\$287,623</u>	<u>\$36,725</u>	<u>\$324,348</u>
<u>State Sources</u>	21,499	0	21,499
<u>Federal Sources</u>			
Federal Reimbursements	81,985	0	81,985
Commodities	29,114	0	29,114
Total Federal Sources	<u>\$111,099</u>	<u>\$0</u>	<u>\$111,099</u>
Total Revenues	<u>\$420,221</u>	<u>\$36,725</u>	<u>\$456,946</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	252,713	252,713
Total Revenues and Other Financing Sources	<u>\$420,221</u>	<u>\$289,438</u>	<u>\$709,659</u>
<u>EXPENDITURES</u>			
Salaries - Non-Professional	77,271	187,306	264,577
Insurances	10,670	0	10,670
Fica, Retirement, Etc.	17,552	38,145	55,697
Other Benefits	3,600	0	3,600
Purchased Services	72,751	28,365	101,116
Supplies and Materials	203,666	2,502	206,168
Capital Outlay	20,425	26,020	46,445
Other	20,636	7,100	27,736
Total Expenditures	<u>\$426,571</u>	<u>\$289,438</u>	<u>\$716,009</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>(\$6,350)</u>	<u>\$0</u>	<u>(\$6,350)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$117,041</u>	<u>\$0</u>	<u>\$117,041</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$110,691</u>	<u>\$0</u>	<u>\$110,691</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
DEBT RETIREMENT FUND
COMBINING BALANCE SHEETS
AS OF JUNE 30, 2004

	<u>1986</u> <u>DEBT</u>	<u>1996</u> <u>DEBT</u>	<u>2002</u> <u>DEBT</u>	<u>2004</u> <u>DEBT</u>	<u>TOTALS</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	<u>\$52,187</u>	<u>\$47,854</u>	<u>\$81,278</u>	<u>\$29,255</u>	<u>\$210,574</u>
<u>TOTAL ASSETS</u>	<u>\$52,187</u>	<u>\$47,854</u>	<u>\$81,278</u>	<u>\$29,255</u>	<u>\$210,574</u>
<u>FUND EQUITY</u>					
Fund Balance - Reserved - Debt Retirement	<u>\$52,187</u>	<u>\$47,854</u>	<u>\$81,278</u>	<u>\$29,255</u>	<u>\$210,574</u>
<u>TOTAL FUND EQUITY</u>	<u>\$52,187</u>	<u>\$47,854</u>	<u>\$81,278</u>	<u>\$29,255</u>	<u>\$210,574</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
DEBT RETIREMENT FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	<u>1986</u>	<u>1996</u>	<u>2002</u>	<u>2004</u>	<u>Total After</u>
	<u>DEBT</u>	<u>DEBT</u>	<u>DEBT</u>	<u>DEBT</u>	<u>Interfund</u>
					<u>Eliminations</u>
<u>REVENUES</u>					
<u>Local Sources</u>					
Property Tax Levy	\$600,656	\$618,817	\$1,018,840	\$29,227	\$2,267,540
Earnings on Investments	1,230	1,043	1,456	52	3,781
Total Local Sources	<u>\$601,886</u>	<u>\$619,860</u>	<u>\$1,020,296</u>	<u>\$29,279</u>	<u>\$2,271,321</u>
<u>OTHER FINANCING SOURCES</u>					
Proceeds from Sale of Bonds	0	0	0	13,060,000	13,060,000
Transfers from Other Debt Funds	0	0	0	278,845	0
Loan Proceeds	167,817	84,481	463,665	0	715,963
Total Other Financing Sources	<u>\$167,817</u>	<u>\$84,481</u>	<u>\$463,665</u>	<u>\$13,338,845</u>	<u>\$13,775,963</u>
Total Revenues and Other Financing Sources	\$769,703	\$704,341	\$1,483,961	\$13,368,124	\$16,047,284
<u>EXPENDITURES</u>					
Redemption of Bond Principal	600,000	325,000	525,000	0	1,450,000
Interest on Bonded Debt	240,113	321,047	937,094	0	1,498,254
Dues and Fees	700	300	250	23	1,273
Bond Issuance Costs	0	0	0	116,903	116,903
Payment Premium Discount	0	0	0	50,928	50,928
Total Expenditures	<u>\$840,813</u>	<u>\$646,347</u>	<u>\$1,462,344</u>	<u>\$167,854</u>	<u>\$3,117,358</u>
<u>OTHER FINANCING USES</u>					
Transfer to Other Debt Funds	59,885	218,960	0	0	0
Payment to Escrow Agent	0	0	0	13,171,015	13,171,015
Total Other Financing Uses	<u>\$59,885</u>	<u>\$218,960</u>	<u>\$0</u>	<u>\$13,171,015</u>	<u>\$13,171,015</u>
Total Expenditures and Other Financing Uses	<u>\$900,698</u>	<u>\$865,307</u>	<u>\$1,462,344</u>	<u>\$13,338,869</u>	<u>\$16,288,373</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	<u>(\$130,995)</u>	<u>(\$160,966)</u>	<u>\$21,617</u>	<u>\$29,255</u>	<u>(\$241,089)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$183,182</u>	<u>\$208,820</u>	<u>\$59,661</u>	<u>\$0</u>	<u>\$451,663</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$52,187</u>	<u>\$47,854</u>	<u>\$81,278</u>	<u>\$29,255</u>	<u>\$210,574</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2004

REVENUES FROMLocal Sources

Property Tax Levy	\$803,888
Earnings on Investments and Deposits	14,852
Transportation Revenue	29,319
Tuition	35,721
Latchkey	64,599
Rentals	2,295
Enrichment Programs	60,475
Medicaid Outreach	16,145
Other Local Revenues	22,846
Total Revenues from Local Sources	<u>\$1,050,140</u>

State Sources

Unrestricted	
State Aid - Foundation - Sec. 20	10,991,561
Restricted	
Early Childhood	29,700
Driver Education	2,913
At Risk	109,239
Durant	9,753
Total Revenues from State Sources	<u>\$11,143,166</u>

Federal Sources

Title I	85,744
Title I - Migrant	24,241
Title V	1,395
Safe & Drug Free Schools	813
Improving Teacher Quality	50,837
Technology Literacy	2,247
Capacity Building	2,734
IDEA Flowthrough	73,604
Total Revenues from Federal Sources	<u>\$241,615</u>
Total Revenues	<u>\$12,434,921</u>

OTHER FINANCING SOURCES

Transfer from Other Districts	20,387
Proceeds from Sale of Assets	1,360
Refund Prior Year Expenditures	234
Total Other Financing Sources	<u>\$21,981</u>

TOTAL REVENUES AND OTHER
FINANCING SOURCES

\$12,456,902

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTIONBASIC PROGRAMSOrchard Primary

Salaries - Professional	\$1,069,983
Salaries - Non-Professional	42,999
Insurances	197,151
Fica, Retirement, Etc.	231,875
Other Benefits	21,440
Purchased Services	15,578
Supplies and Materials	47,016
Other	156
Total Orchard Primary	<u>\$1,626,198</u>

Almont Elementary

Salaries - Professional	1,294,778
Salaries - Non-Professional	32,655
Insurances	275,427
Fica, Retirement, Etc.	276,832
Other Benefits	21,715
Purchased Services	19,192
Supplies and Materials	47,588
Capital Outlay	469
Other	213
Total Almont Elementary	<u>\$1,968,869</u>

Secondary School

Salaries - Professional	1,781,215
Salaries - Non-Professional	63,169
Insurances	389,331
Fica, Retirement, Etc.	385,780
Other Benefits	26,410
Purchased Services	50,772
Supplies and Materials	145,315
Capital Outlay	6,727
Other	756
Total Secondary School	<u>\$2,849,475</u>

Driver Education - Secondary School

Salaries - Professional	6,026
Fica, Retirement, Etc.	1,256
Other	2,052
Total Driver Education - Secondary School	<u>\$9,334</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTION (Continued)BASIC PROGRAMS (Continued)Preschool - Orchard Primary

Salaries - Professional	\$31,972
Salaries - Non-Professional	6,361
Fica, Retirement, Etc.	7,950
Purchased Services	506
Supplies and Materials	1,264
Other	69
Total Preschool - Orchard Primary	<u>\$48,122</u>

Total Basic Programs

\$6,501,998

ADDED NEEDSSpecial Education

Salaries - Professional	345,678
Salaries - Non-Professional	102,686
Insurances	125,334
Fica, Retirement, Etc.	93,337
Other Benefits	5,450
Purchased Services	338
Supplies and Materials	1,560
Total Special Education	<u>\$674,383</u>

Compensatory Education

Salaries - Non-Professional	179,732
Fica, Retirement, Etc.	37,241
Purchased Services	1,043
Supplies and Materials	5,151
Total Compensatory Education	<u>\$223,167</u>

Total Added Needs\$897,550TOTAL INSTRUCTION

\$7,399,548

SUPPORT SERVICESStudent Services

Salaries - Professional	267,456
Salaries - Non-Professional	185,523
Insurances	53,133
Fica, Retirement, Etc.	93,854
Other Benefits	8,686
Purchased Services	23,883
Supplies and Materials	9,143
Other	796
Total Student Services	<u>\$642,474</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

SUPPORT SERVICES (Continued)Instructional Staff

Salaries - Professional	\$60,455
Salaries - Non-Professional	135,057
Insurances	37,605
Fica, Retirement, Etc.	41,701
Other Benefits	1,800
Purchased Services	66,928
Supplies and Materials	44,649
Total Instructional Staff	<u>\$388,195</u>

General Administration

Salaries - Professional	98,760
Salaries - Non-Professional	53,694
Insurances	25,742
Fica, Retirement, Etc.	27,558
Other Benefits	8,325
Purchased Services	55,053
Supplies and Materials	4,393
Other	18,009
Total General Administration	<u>\$291,534</u>

School Administration

Salaries - Professional	302,435
Salaries - Non-Professional	160,854
Insurances	71,587
Fica, Retirement, Etc.	95,953
Other Benefits	25,474
Purchased Services	27,581
Supplies and Materials	9,524
Other	1,139
Total School Administration	<u>\$694,547</u>

Business Office

Salaries - Professional	51,000
Salaries - Non-Professional	33,436
Insurances	20,327
Fica, Retirement, Etc.	19,910
Other Benefits	26,097
Purchased Services	11,884
Supplies and Materials	649
Other	30,573
Total Business Office	<u>\$193,876</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

<u>SUPPORT SERVICES (Continued)</u>	
<u>Operation and Maintenance of Plant</u>	
Salaries - Professional	\$15,500
Salaries - Non-Professional	283,845
Insurances	54,269
Fica, Retirement, Etc.	69,287
Other Benefits	7,114
Purchased Services	321,555
Supplies and Materials	331,540
Other	1,911
Total Operation and Maintenance of Plant	<u>\$1,085,021</u>
<u>Transportation</u>	
Salaries - Professional	46,500
Salaries - Non-Professional	376,697
Insurances	104,763
Fica, Retirement, Etc.	93,361
Other Benefits	8,461
Purchased Services	20,124
Supplies and Materials	77,030
Capital Outlay	121,038
Other	3,032
Total Transportation	<u>\$851,006</u>
<u>Other Support Services</u>	
Purchased Services	<u>22,199</u>
<u>TOTAL SUPPORT SERVICES</u>	<u>\$4,168,852</u>
<u>COMMUNITY SERVICES</u>	
Salaries - Professional	59,917
Salaries - Non-Professional	45,555
Insurances	12,544
Fica, Retirement, Etc.	18,354
Purchased Services	219
Supplies and Materials	6,667
Other	753
Total Community Services	<u>\$144,009</u>
<u>TOTAL EXPENDITURES</u>	<u>\$11,712,409</u>
<u>OTHER FINANCING USES</u>	
Transfers to Other Funds	252,713
Transfers to Other Districts	<u>181,539</u>
<u>TOTAL OTHER FINANCING USES</u>	<u>\$434,252</u>
<u>TOTAL EXPENDITURES & OTHER FINANCING USES</u>	<u><u>\$12,146,661</u></u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
TRUST AND AGENCY FUNDS
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2004

STUDENT GROUPS	DUE TO (FROM)	RECEIPTS	DISBURSEMENTS	DUE TO (FROM)
	STUDENT GROUPS			STUDENT GROUPS
	JULY 1, 2003			JUNE 30, 2004
<u>Elementary School</u>				
Band	\$19	\$0	\$1	\$18
Book Fund	293	191	250	234
Boys' Basketball	530	550	477	603
Choir	198	676	658	216
Counsel - Emer	403	0	112	291
Counsel - Scholarship	82	0	0	82
EMI	307	411	342	376
General	2,539	6,937	6,225	3,251
Girls' Basketball	61	5,175	4,154	1,082
Grade 3	226	3,644	3,560	310
Grade 4	293	4,721	4,559	455
Grade 5	2,318	4,946	4,131	3,133
Grade 6	1,087	13,462	12,971	1,578
Grants	2,200	4,139	4,485	1,854
K of C Funds	406	3,618	2,560	1,464
Library/Reading	630	0	0	630
Office	28	9	0	37
Pop Machine	1,426	1,935	1,021	2,340
Resource	254	792	208	838
Student Council	86	2,400	2,095	391
T.A.G.	4,429	0	0	4,429
Varsity BB Fundraising	1,283	4,992	4,151	2,124
Total Elementary School	\$19,098	\$58,598	\$51,960	\$25,736
<u>Orchard Primary School</u>				
Art	195	0	0	195
Choir	555	0	0	555
Friends of Library	305	114	0	419
General	3,469	2,082	799	4,752
Grade 1	362	1,856	1,741	477
Grade 2	811	966	740	1,037
Grants	2,194	3,363	2,601	2,956
K of C	0	799	0	799
Kindergarten	1,428	4,371	4,555	1,244
Memorial Fund	300	0	0	300
Pop Machine	735	1,002	1,245	492
Special Education	218	1,692	12	1,898
Student Council	610	0	331	279
Total Orchard Primary	\$11,182	\$16,245	\$12,024	\$15,403

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
TRUST AND AGENCY FUNDS
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
AS OF JUNE 30, 2004

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2003	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004
<u>High School</u>				
Almont Varsity Singers	\$499	\$0	\$0	\$499
Athletics	(2,004)	28,295	26,816	(525)
Band Resale	1,016	6,484	6,820	680
Baseball	231	0	0	231
Book Fines	3,487	573	304	3,756
Boys' Track	8	0	0	8
Cheerleaders - 8th Grade	99	58	58	99
Cheerleaders - JV	130	0	0	130
Cheerleaders - Varsity	176	4,993	4,963	206
Choir - 8th Grade	15	960	945	30
Class of 2003	81	0	67	14
Class of 2004	743	4,174	4,629	288
Class of 2005	2,336	7,016	7,078	2,274
Class of 2006	3,224	2,083	1,428	3,879
Class of 2007	2,476	140	0	2,616
Class of 2008	3,395	8,164	6,916	4,643
Class of 2009	0	4,907	3,284	1,623
Drama	5,905	4,376	3,618	6,663
Drivers Ed	2,775	3,475	5,750	500
French Club	1,089	2,705	1,506	2,288
Football - Varsity	0	1,700	0	1,700
General	5,627	28,258	28,589	5,296
Girls' Basketball	302	1,550	1,802	50
Girls' Track	88	0	0	88
Grants	363	0	30	333
Knights of Columbus	613	425	0	1,038
Library	503	17	0	520
Medical Charity	2,185	0	0	2,185
Middle School Student Council	263	2,030	1,325	968
National Honor Society	416	3,353	3,233	536
Performing Arts	738	16	0	754
Physical Science	24	0	0	24
Science Dept.	11	400	400	11
Ski Club	216	0	0	216
Soccer	7	3,905	2,716	1,196
Softball	0	1,347	1,344	3
Spanish Club	1,462	36	991	507
Special Ed	19	2,036	483	1,572
Student Council	1,680	6,465	7,654	491
Talac	123	200	0	323
Tennis	880	2,200	2,721	359
Track - JV	532	928	1,212	248
Varsity Club	5,452	8,450	7,027	6,875
Volleyball	51	1,812	1,844	19
Woodshop	108	0	0	108
Wrestling	247	0	0	247
Yearbook	10,206	18,135	19,242	9,099
Total High School	<u>\$57,797</u>	<u>\$161,666</u>	<u>\$154,795</u>	<u>\$64,668</u>
<u>TOTAL STUDENT GROUPS</u>	<u>\$88,077</u>	<u>\$236,509</u>	<u>\$218,779</u>	<u>\$105,807</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1991 REFUNDING BONDS

DATE OF ISSUE - August 29, 1991

Original amount of issue - \$1,400,000

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL</u>
May 15, 2005	6.750%	\$160,000	\$10,800	\$170,800

1996 BOND ISSUE

DATE OF ISSUE - November 1, 1996

Original amount of issue - \$12,195,000

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL</u>
May 15, 2005	7.875%	\$325,000	\$48,343	\$373,343
May 15, 2006	7.000%	325,000	22,750	347,750
<u>TOTALS</u>		<u>\$650,000</u>	<u>\$71,093</u>	<u>\$721,093</u>

2002 REFUNDING BONDS

DATE OF ISSUE - March 5, 2002

Original amount of issue - \$4,100,000

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL</u>
May 15, 2005	2.800%	\$460,000	\$125,909	\$585,909
May 15, 2006	3.150%	455,000	113,029	568,029
May 15, 2007	3.750%	465,000	98,696	563,696
May 15, 2008	4.125%	475,000	81,259	556,259
May 15, 2009	4.500%	505,000	61,665	566,665
May 15, 2010	4.100%	540,000	38,940	578,940
May 15, 2011	4.200%	400,000	16,800	416,800
<u>TOTALS</u>		<u>\$3,300,000</u>	<u>\$536,298</u>	<u>\$3,836,298</u>

1998 DURANT

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$97,533

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL</u>
May 15, 2005	4.761353%	\$0	\$0	\$0
May 15, 2006	4.761353%	4,721	2,128	6,849
May 15, 2007	4.761353%	4,945	1,903	6,848
May 15, 2008	4.761353%	5,182	1,668	6,850
May 15, 2009	4.761353%	5,428	1,421	6,849
May 15, 2010	4.761353%	5,686	1,163	6,849
May 15, 2011	4.761353%	23,573	8,748	32,321
May 15, 2012	4.761353%	6,240	608	6,848
May 15, 2013	4.761353%	6,537	311	6,848
<u>TOTAL</u>		<u>\$62,312</u>	<u>\$17,950</u>	<u>\$80,262</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2002 BUILDING & SITE BONDS

DATE OF ISSUE - October 30, 2002

Original amount of issue - \$22,350,000

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL</u>
May 15, 2005	2.000%	\$550,000	\$926,594	\$1,476,594
May 15, 2006	2.150%	550,000	915,594	1,465,594
May 15, 2007	2.450%	550,000	903,769	1,453,769
May 15, 2008	2.750%	550,000	890,294	1,440,294
May 15, 2009	3.000%	550,000	875,169	1,425,169
May 15, 2010	3.200%	550,000	858,669	1,408,669
May 15, 2011	5.000%	550,000	841,069	1,391,069
May 15, 2012	4.000%	550,000	813,569	1,363,569
May 15, 2013	3.600%	550,000	791,569	1,341,569
May 15, 2014	3.750%	625,000	771,769	1,396,769
May 15, 2015	3.900%	705,000	748,331	1,453,331
May 15, 2016	4.000%	825,000	720,836	1,545,836
May 15, 2017	4.125%	895,000	687,836	1,582,836
May 15, 2018	4.200%	895,000	650,918	1,545,918
May 15, 2019	4.300%	895,000	613,328	1,508,328
May 15, 2020	4.400%	895,000	574,843	1,469,843
May 15, 2021	4.500%	895,000	535,463	1,430,463
May 15, 2022	5.000%	895,000	495,188	1,390,188
May 15, 2023	5.000%	895,000	450,438	1,345,438
May 15, 2024	5.000%	895,000	405,687	1,300,687
May 15, 2025	5.000%	895,000	360,937	1,255,937
May 15, 2026	5.000%	895,000	316,187	1,211,187
May 15, 2027	5.000%	895,000	271,437	1,166,437
May 15, 2028	4.650%	975,000	226,687	1,201,687
May 15, 2029	4.650%	975,000	181,350	1,156,350
May 15, 2030	4.650%	975,000	136,012	1,111,012
May 15, 2031	4.650%	975,000	90,675	1,065,675
May 15, 2032	4.650%	975,000	45,337	1,020,337
<u>TOTALS</u>		<u>\$21,825,000</u>	<u>\$16,099,555</u>	<u>\$37,924,555</u>

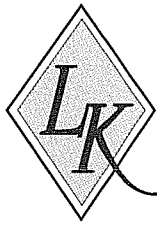
ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2004 REFUNDING BONDS

DATE OF ISSUE - February 25, 2004

Original amount of issue - \$13,060,000

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL</u>
May 15, 2005	2.000%	\$155,000	\$564,777	\$719,777
May 15, 2006	2.000%	165,000	474,176	639,176
May 15, 2007	2.000%	520,000	470,876	990,876
May 15, 2008	2.500%	535,000	460,476	995,476
May 15, 2009	2.750%	540,000	447,101	987,101
May 15, 2010	3.000%	540,000	432,251	972,251
May 15, 2011	3.000%	720,000	416,051	1,136,051
May 15, 2012	3.500%	1,160,000	394,451	1,554,451
May 15, 2013	3.500%	1,165,000	353,851	1,518,851
May 15, 2014	3.750%	1,175,000	313,076	1,488,076
May 15, 2015	4.000%	1,170,000	269,014	1,439,014
May 15, 2016	3.800%	500,000	222,214	722,214
May 15, 2017	4.000%	495,000	203,214	698,214
May 15, 2018	4.000%	490,000	183,414	673,414
May 15, 2019	4.150%	480,000	163,814	643,814
May 15, 2020	4.375%	475,000	143,894	618,894
May 15, 2021	4.375%	475,000	123,113	598,113
May 15, 2022	4.375%	470,000	102,331	572,331
May 15, 2023	4.375%	465,000	81,769	546,769
May 15, 2024	4.500%	455,000	61,425	516,425
May 15, 2025	4.500%	450,000	40,950	490,950
May 15, 2026	4.500%	460,000	20,700	480,700
<u>TOTALS</u>		<u>\$13,060,000</u>	<u>\$5,942,938</u>	<u>\$19,002,938</u>



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

August 5, 2004

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Almont Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Almont Community Schools, as of and for the year ended June 30, 2004, which collectively comprise the Almont Community Schools' basic financial statements and have issued our report thereon dated August 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Almont Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted no immaterial instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Almont Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted no other matters involving the internal control over financial reporting.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS